Listed Property Fund

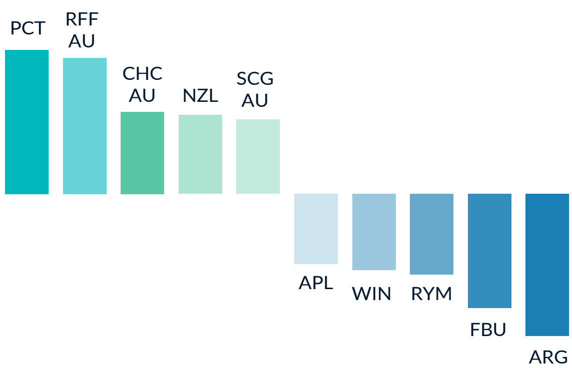
Investor Factsheet for the quarter ended 30 June 2024

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since Sep 2019*
Gross Fund Return**	-8.65%	-6.85%	-6.20%	-0.64%	6.32%	-2.39%
S&P/NZX 50 All Real Estate Gross with Imputation***	-8.55%	-7.57%	-7.15%	-2.21%	6.43%	-4.03%
Out/under performance	**-0.10%**	**0.71%**	**0.95%**	**1.57%**	**-0.11%**	**1.64%**
Tracking error	n/a	1.01%	1.85%	2.04%	4.06%	2.09%
Information ratio	n/a	0.71	0.51	0.77	-0.03	0.79
Sharpe ratio	n/a	-0.85	-0.77	-0.20	0.31	-0.15

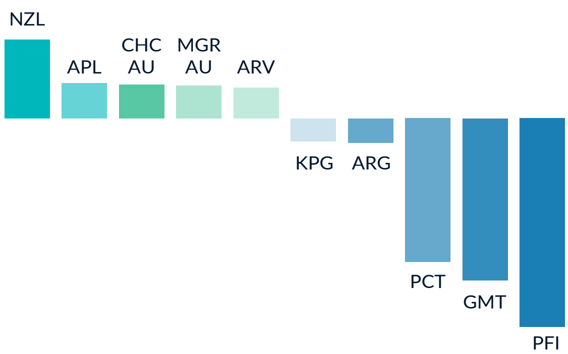
Key Fund Facts as at 30 June 2024

Fund Name	Listed Property Fund	**Risk Indicator**	1 2 3 4 **5** 6 7
Inception Date	26/06/2008	**Market Index**	S&P/NZX All Real Estate Gross with Imputation
Fund Value (NZD)	$29,798,867	**Unit Price**	$2.0938
		Annual Fund Charge (ex-GST)	1.15%

ATTRIBUTION (ROLLING 4QS TO 30 JUNE 2024)



PORTFOLIO CONVICTION (AS AT 30 JUNE 2024)



The fund in its macro context

Interest rates stayed largely flat in the June quarter with the bellwether New Zealand Government 10-year bond yield increasing slightly from 4.5% to 4.6%. Despite this modest move in rates the NZ REIT Index materially underperformed the broader New Zealand market by more than 5%.

Australian REITs once again outperformed New Zealand during the second quarter of 2024, although this was primarily driven by relatively robust performance from Goodman Group.

The most recent set of corporate results saw much of the New Zealand property sector resize their dividends to reflect recent (negative) tax changes with the loss of building depreciation and commensurately lower cash profits. We expect some will require lower interest rates to avoid further dividend cuts in the future.

Portfolio attribution

For the quarter to 30 June the Listed Property Fund delivered a gross return of -8.65%, in-line with the fund's market index return of -8.55%.

For the four quarters to 30 June the Fund delivered a gross return of -6.85%, marginally outperforming the fund's market index return of -7.57% by 0.72%.

Our largest contributor to annual performance came from our underweight position in Precinct Properties (PCT). We are becoming more constructive on this name as the share price has weakened and management continue to prove-up its relatively new funds management model. Exposure

* Annualised

** Gross Fund Returns are calculated before deduction of taxes and fund charges but after deduction of trading expenses and including imputation credits where applicable. Market index returns do not have any deductions for fund charges, trading expenses or tax.

***For periods prior to April 2018, the market index/benchmark return used is the S&P/NZX All Real Estate Gross Index without Imputation.

to premium, green office assets, and the limited supply of such assets in New Zealand, should see PCT relatively protected in an extended macro downturn. Approximately 5% of the Listed Property Fund is invested in Australian stocks and the material outperformance (almost 30%) of Australia over New Zealand also added to performance in the last four quarters, in particular investments in Rural Funds, Charter Hall (CHC), and Scentre.

A material detractor from performance in the year to 30 June was our underweight position in Argosy Property (ARG). ARG has done a creditable job on capital management over the last year with close to $100mn of asset disposed of at, or near, book value. ARG also managed to hold the dividend flat into FY25 despite higher interest rates and recently announced tax changes, however we expect the dividend to be cut in FY26 as a result. Your fund has a small exposure to residential exposed names including Fletcher Building, Ryman Healthcare and Winton Land with these positions suffering from the negative sentiment in the housing market.

Portfolio positioning and conviction

Our key concern in the year ahead is how the weaker economy flows through to vacancy and rental levels as surplus backfill and subleasing space enters the market. We are especially cautious on the industrial players who have seen the most rapid run up in rental levels, occupancy and valuations across the property sector over recent years. In the near term we think tenant appetites for expansion in the manufacturing, transport and logistics space will be low, with soft manufacturing activity and retail volumes down 8% from 2022. This thesis drives our underweight position in these names.

We cannot rule out equity raisings in the sector given the high balance sheet gearing of some and potential further devaluations this cycle. To mitigate this, we prefer the stocks with funds management platforms. This feature creates the option to sell assets into partnership vehicles at or near book value, dilute ownership and use equity proceeds to reduce debt levels rather than raising equity at (current) large discounts to NTA. With limited scope for organic dividend growth in the sector, this funds management angle also delivers scope for earnings growth. Over the period we have added to our holdings in Stride Property, CHC and PCT which have meaningful earnings potential in this space.

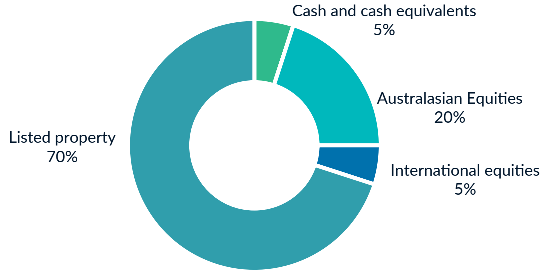
Conclusion

Sector valuations are still bifurcated. While sector gross yield spreads vs. long bonds sit close to 3% on a weighted average basis there is still a wide range within the sector. Property for Industry (PFI) and GMT are closer to zero, with the remaining six (of the "big eight" property companies) sitting between 3-5%. Industrial yields are still low on expectations of continued distribution growth; however, it is doubtful the level of growth will be sufficient to justify the current premiums. Whilst these prices may move against us in the short or even medium term, and assuming there is no change in view, we will stick to (or increase) our conviction levels.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Goodman Property Trust	18.7%
Precinct Properties New Zealand Limited	15.5%
Kiwi Property Group Limited	13.7%
Vital Healthcare Property Trust	10.1%
Argosy Property Limited	8.7%
Stride Property Group	7.4%
Property For Industry Limited	6.6%
Investore Property Limited	3.7%
New Zealand Rural Land Company	3.2%
Asset Plus Limited	1.5%
Major holdings as % of total portfolio	**89.0%**

TARGET ASSET ALLOCATION



Investment Philosophy and Thesis

Octagon is an active investment manager. Our investment philosophy focuses on developing a repeatable process that systematically looks for short-to-medium term inefficiencies in market pricing of securities with a solid economic basis and a good management team to deliver long term, measurable alpha.

The most common and persistent market inefficiencies we find are:

- excessive focus on near term earnings
- market dislocations and liquidity events
- temporary governance failures
- irrational investor behaviour

For Octagon, "value" means not overpaying for the promise of future growth by developing a fundamental understanding of a business, its financial metrics, return on invested capital and then scenario testing the investment model under different macro conditions.

Portfolio Manager

Jason Lindsay, CA
Head of Equities

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